

STATEMENT OF
COLORADO RIVER ENERGY DISTRIBUTORS ASSOCIATION (CREDA)
Regarding H.R. 4129
Before the
SUBCOMMITTEE ON WATER AND POWER
Of the
U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON RESOURCES

Statement of Leslie James, Executive Director
Colorado River Energy Distributors Association (CREDA)
April 24, 2002

Mr. Chairman, members of the Subcommittee, I am Leslie James, Executive Director of the Colorado River Energy Distributors Association (CREDA). I appreciate the opportunity to appear before you today in support of H.R. 4129.

Our interest in this legislation stems from the fact that the Central Utah Project is a participating project -- an irrigation project -- of the Colorado River Storage Project (CRSP). The CRSP was authorized in the Colorado River Storage Project Act of 1956 (P.L. 485, 84th Cong., 70 Stat. 50), as a multi-purpose federal project that provides flood control; water storage for irrigation, municipal and industrial purposes; recreation and environmental mitigation and protection, in addition to the generation of electricity. I would first like to provide a description of CREDA and its members.

CREDA is a non-profit organization representing 155 consumer-owned electric systems (CRSP power contractors) that purchase federal hydropower and resources of the CRSP. CREDA was established in 1978, and serves as the "voice" of its members in dealing with CRSP resource availability and affordability issues. CREDA represents its members in dealing with the Bureau of Reclamation (Bureau), as the generating agency of the CRSP, and Western Area Power Administration (WAPA), as the marketing agency of the CRSP. CREDA members are all non-profit organizations, serving nearly 3 million electric consumers in the six western states of Arizona, Colorado, Nevada, New Mexico, Utah and Wyoming. CREDA members purchase over 85% of the CRSP power resource. Attached is a listing of current CREDA members.

Repayment of the federal investment of the CRSP has been the responsibility of CRSP power contractors for 30 years. This repayment is ensured by long-term contracts providing for the purchase of CRSP resources. The rates charged to these power contractors repay all of the federal investment in generation and transmission facilities (with interest), all power-related operation and maintenance costs, and environmental costs. In addition, the CRSP contractors are paying over 95% of the cost of the irrigation features of the CRSP (those costs that are beyond the ability of the irrigators to pay). In fact, in the current CRSP rate, 35% of the total annual revenue requirement is due to irrigation assistance. These contracts are not fixed cost; they allow for rate adjustments in order to ensure repayment of the federal investment in the CRSP.

When the federal reclamation projects were begun, they were designed, constructed, operated, and maintained by the Bureau of Reclamation. The Bureau also owned the transmission system and marketed the power from the projects. When WAPA was formed under the Department of Energy Organization Act in 1977, the design, construction, operation, and maintenance functions

remained with the Bureau and the transmission system and marketing responsibilities were moved to WAPA.

Construction and capital projects are funded through the federal Treasury at the interest rate determined by Congress or at the time construction starts. These projects go through a budgeting process associated with the federal budget, and money is appropriated for these projects with Congressional approval. As revenues are collected for the sale of federal power, there is a priority assigned to payment of obligations. The priority of repayment of the projects is that O&M expenses for WAPA and the Bureau are paid first and then repayment of the highest interest capital investment is made to the federal Treasury. The components associated with the power features are paid first, including the appropriate interest, and then the power revenues are used to pay the irrigation projects at no interest.

Each year WAPA compiles a “power repayment study” which estimates expenses of both the Bureau and WAPA, and is the basis for the CRSP rate. After WAPA has completed the power repayment study and if a rate adjustment is necessary, a public process is begun. We are currently in the midst of this process, which could result in a 30% rate increase. As the Subcommittee is aware, the western electricity market has been extremely volatile over the recent past couple of years. As a result, CREDA members are scrutinizing every expenditure to keep costs as low as possible for their consumers. CREDA, representing its members, works with the Bureau and WAPA through a 1992 contractual arrangement regarding work program and rate treatment issues, in an effort to mitigate rate increases.

CREDA’s support of H.R. 4129 focuses on two provisions of the bill. The first regards treatment of costs that have been expended by the Bureau for studies of features of the CUP that will not be constructed by the Federal government. As an example, during the 1980’s, despite opposition from the CRSP power contractors, the Bureau explored adding a large generation component to the Diamond Fork feature of the CUP. Subsequently, the Bureau determined the Federal government would not construct the feature. CREDA believes costs such as these should be non-reimbursable and non-returnable, meaning they would not be paid by the CRSP power contractors. Section 1(a) of H.R. 4129 provides that assurance.

Secondly, CREDA understands the Central Utah Water Conservancy District’s desire to continue its relationship with the Secretary. Likewise, CREDA has existing working and contractual relationships with the Bureau, specifically regarding construction, operation and maintenance and rate treatment for the CRSP facilities. CREDA felt it necessary to ensure that relationship is maintained. The language of Section 1(b)(3) of H.R. 4129 provides that assurance.

In summary, CREDA’s specific interests in H.R. 4129 relate to the CRSP from a financial and ongoing implementation standpoint. We encourage timely passage of H.R. 4129. We thank the Subcommittee for the opportunity of appearing today in support of this important legislation.

ATTACHMENT

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COLORADO RIVER ENERGY DISTRIBUTORS ASSOCIATION (CREDA)

MEMBERSHIP**ARIZONA**

Arizona Municipal Power Users Association
Arizona Power Authority
Arizona Power Pooling Association
Irrigation and Electrical Districts Association
Navajo Tribal Utility Authority
(also New Mexico and Utah)
Salt River Project

COLORADO

City of Colorado Springs
Intermountain Rural Electric Association
Platte River Power Authority
Tri-State Generation & Transmission Cooperative
(also Nebraska, Wyoming and New Mexico)
Yampa Valley Electric Association, Inc.

NEVADA

Colorado River Commission of Nevada
Silver State Power Association

NEW MEXICO

Los Alamos County
Farmington Electric Utility System
Tri-State Generation & Transmission Cooperative
City of Truth or Consequences

UTAH

City of Provo
Strawberry Electric Service District
Utah Associated Municipal Power Systems
Utah Municipal Power Agency

WYOMING

Tri-State Generation & Transmission Cooperative
Wyoming Municipal Power Agency

AFFILIATE MEMBERS

Navopache Electric Cooperative (Arizona)
Inter-Tribal Council of Arizona
Gila River Indian Community Utility Authority (Arizona)